
1 OVERVIEW

Through this Decision and Order, the Ontario Energy Board (OEB) approves changes to the transmission revenue requirement of Upper Canada Transmission 2, Inc. (UCT 2), effective January 1, 2025. UCT 2's approved 2025 revenue requirement is \$75,681,985, representing a decrease of 21.3% from the total revenue requirement of \$96,134,597 approved for 2024¹.

As a result of this Decision and Order, there will be an estimated 0.91% decrease to average transmission rates and an estimated 0.11% decrease to the average monthly bill for a transmission-connected customer. The total estimated bill impact on the average monthly bill of a medium density residential customer² consuming 750 kWh will be a decrease of \$0.13 (0.10%). The total estimated bill impact on the average monthly bill of a general service customer³ consuming 2,000 kWh and having a monthly demand of less than 50 kW will be a decrease of \$0.29 (0.07%).

¹ EB-2023-0298, Decision and Order, June 13, 2024; the 2024 total revenue requirement of \$96,134,597 consists of a 2024 base transmission revenue requirement of \$74,416,898 and a one-time adjustment for 2024 only of \$21,717,699.

² Hydro One R1 customer

³ Hydro One GSe < 50 kW customer

2 CONTEXT AND PROCESS

UCT 2 is an OEB-licensed and rate-regulated electricity transmitter that carries on the business of owning and operating electricity transmission facilities that run between the Lakehead, Marathon, and the Wawa Transformer Stations, commonly referred to as the “East-West Tie Line”. UCT 2 seeks the OEB’s approval of its annual revenue requirement to transmit electricity, as is required of licensed and rate-regulated transmitters in Ontario, for 2025.

The OEB sets rates for rate-regulated electricity transmitters in Ontario by approving a revenue requirement for each transmitter. These individual transmission revenue requirements are incorporated into the Uniform Transmission Rates (UTRs) that are recovered from ratepayers across the province.

In the OEB’s Decision and Order on UCT 2’s application for approval of electricity transmission revenue requirements for the period from April 1, 2022 to December 31, 2031⁴ (2022 Application), the OEB approved a Custom Incentive Rate-setting (Custom IR) methodology and determined that this framework would be used to determine UCT 2’s transmission revenue requirement for the years 2023 through 2027. The framework adjusts UCT 2’s annual transmission revenue requirement by a revenue cap index comprised of inflation, less a productivity factor and a stretch factor.

UCT 2 filed its 2025 Custom IR update application on August 15, 2024 under section 78 of the *Ontario Energy Board Act, 1998* and in accordance with Chapter 2 of the OEB’s *Filing Requirements for Electricity Transmission Applications*. This is the third application filed by UCT 2 for an adjustment to its revenue requirement using the Custom IR methodology approved by the OEB in the 2022 Application.

The application was supported by pre-filed written evidence.

⁴ EB-2020-0150

3 CUSTOM IR ADJUSTMENT

UCT 2's application requested OEB approval of an adjustment to its base revenue requirement, determined using an OEB-approved Custom IR methodology, in which the base revenue requirement for the prospective rate year is equal to the base revenue requirement in the year preceding the prospective rate year inflated by a Revenue Cap Index (RCI).

The RCI approved by the OEB for UCT 2 through its decision on the 2022 Application includes an inflation factor ("I") and a productivity factor ("X"), which includes a stretch factor. The RCI is expressed as:

$$RCI = I - X$$

In UCT 2's 2022 Application, the OEB approved an inflation factor of 2.0%, a productivity factor of 0.0%, and a stretch factor of 0.3% for use between 2023 and 2027.

The components of the Custom IR adjustment formula applicable to UCT 2 for the 2025 rate year are set out in Table 1. They result in a total RCI of 1.7%.

Table 1: Custom IR Adjustment Formula

Components		Value
Inflation Factor (I)		2.00%
Productivity Factor (X)	Productivity	0.00%
	Stretch	0.30%
Revenue Cap Index (RCI) = I - X		1.70%

UCT 2's base revenue requirement for the 2025 rate year is then determined by applying the RCI of 1.7% to UCT 2's 2024 base revenue requirement. The result is a 2025 base revenue requirement of \$75,681,985, as shown in Table 2.

Table 2: Base Revenue Requirement by Year

Year	Formula	Base Revenue Requirement (\$)
2024	OEB-Approved Base Revenue Requirement	74,416,898 ⁵
2025	2024 Base Revenue Requirement x 2025 RCI = \$74,416,898 x 1.017	75,681,985

UCT 2 has not requested approval to dispose any deferral and variance account balances in this proceeding. Accordingly, UCT 2's total revenue requirement for 2025 is equal to its base revenue requirement for 2025.

UCT 2's requested revenue requirement is a contributor to the total revenue requirement to be collected from the provincial UTRs.

UCT 2's revenue requirement is allocated to the provincial Network rate pool only, as all its assets serve the transmission network with no transformation or individual customer services. Table 3 summarizes UCT 2's 2025 revenue requirement by transmission rate pool.

Table 3: 2025 Revenue Requirement by Transmission Rate Pool (\$)

Network	Line Connection	Transformation Connection	Total
75,681,985	-	-	75,681,985

As it does not have any customer delivery points supplied directly from its assets, UCT 2 does not have charge determinants for setting UTRs.

UCT 2's 2025 revenue requirement represents approximately 3.36% of the total revenue requirement across all transmitters, based on the OEB-approved 2024 UTRs⁶.

⁵ EB-2023-0298, Decision and Order, June 13, 2024; this does not include the one-time adjustment for 2024 only of \$21,717,699.

⁶ Per EB-2024-0183 2024 UTR Update, Schedule A dated on June 27, 2024 (excluding the pro-rated \$41,212,988 gross-up).

UCT 2 estimated that its proposed 2025 revenue requirement would result in a 0.91% decrease to average transmission rates and a 0.11% decrease to the average monthly bill for a transmission-connected customer.

UCT 2 further estimated that for a distribution-connected customer, its proposed 2025 revenue requirement, as reflected in Retail Transmission Service Rates, would result in a decrease of \$0.13 (0.10%) to the average monthly bill of a medium density residential customer⁷ consuming 750 kWh, and a decrease of \$0.29 (0.07%) to the average monthly bill of a general service customer⁸ consuming 2,000 kWh and having a monthly demand of less than 50 kW.

Findings

UCT 2's request for a 1.7% increase to its base revenue requirement for 2025 is in accordance with the Custom IR methodology and parameters approved by the OEB in its Decision and Order for the 2022 Application. The OEB approves a 2025 revenue requirement of \$75,681,985 with an effective date of January 1, 2025.

⁷ Hydro One R1 customer

⁸ Hydro One GSe < 50 kW customer

4 IMPLEMENTATION AND ORDER

IT IS ORDERED THAT:

1. The 2025 revenue requirement of \$75,681,985 for Upper Canada Transmission 2, Inc. is approved, with an effective date of January 1, 2025. Upper Canada Transmission 2, Inc.'s 2025 revenue requirement will be included in the OEB's determination of the 2025 Uniform Transmission Rates for Ontario.

DATED at Toronto, October 24, 2024

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar